



# Committee On Finance

Max Baucus, Ranking Member

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**Statement of U.S. Senator Max Baucus  
Senate Finance Committee Hearing on Treasury Nominations of Robert Kimmitt, Randy Quarles, Sandra Pack, and Kevin Fromer**

Thank you, Mr. Chairman. We are here to consider four nominees to serve positions at the Treasury Department: Bob Kimmitt to be the Deputy Secretary, Randy Quarles to be the Undersecretary for Domestic Finance, Sandra Pack to be the Assistant Secretary for Management, and Kevin Fromer to be the Assistant Secretary for Legislative Affairs.

Welcome to the Committee. I look forward to working with each of you upon your confirmation to these important positions.

As you know, I am currently holding consideration of nominees to serve in significant Treasury Department positions. I am doing so because of a Treasury rule change that makes it much more difficult to export American agricultural goods to Cuba.

In 2000, Congress passed the Trade Sanctions Reform and Export Enhancement Act to encourage American agricultural exports to Cuba. That law expressly forbade the executive branch from changing the export rules. But Treasury ignored that prohibition and the will of Congress, and changed the rule in February of this year.

Treasury changed the rule to make it harder to export to Cuba. The previous rule had allowed cash in advance of delivery, consistent with international norms. The new rules require payment in cash in advance of shipment of the goods. And as a result of the change, American agricultural exports to Cuba have taken a nosedive.

In December of 2004, when Treasury first threatened to change the rule on American agricultural sales to Cuba, I promised ranchers and farmers in Montana that I would not sit idly by. I promised that if Treasury made the change, I would hold up any significant Treasury nominees until I felt assured agricultural sales to Cuba could continue.

Yesterday, the Senate panel on Treasury Appropriations unanimously adopted an amendment that would block enforcement of the new rule restricting ag sales to Cuba. Their action, following on the heels of a similar amendment in the House, sends a strong message to any regulatory agency that tries to rewrite the law.

I feel strongly about protecting this market for Montana's farmers and ranchers. If you know the challenges that they face, you know that it is just plain wrong to deprive them of a profitable market.

Ambassador Kimmitt, I have great faith in your ability to help us find a solution to this issue, given your experience in international matters and diplomacy.

Because of your Montana roots, I am also confident in your abilities to understand how this issue affects ranchers and farmers in my home state.

Bob is the descendant of one of Montana's greatest sons and a friend to many of us, Stan Kimmitt, the former Secretary of the Senate under Majority Leader, Mike Mansfield.

I have known Bob for a long time, and he brings a resume of significant accomplishment to the table. On top of serving in senior positions at the National Security Council, the State Department, and the Treasury Department, Bob served as the Ambassador to Germany during the first Bush administration.

Most recently, Bob served as the General Counsel at Time Warner Inc.

Bob, I am glad to have someone of your intellect and experience nominated to serve at the Treasury Department.

I look forward to your thoughts on bringing Treasury's institutional expertise on financial institutions, money laundering, and tax enforcement to the table in the war on terror.

As you may know, the Treasury Department used to provide strong leadership in the effort to investigate terrorism financing.

Now the administration team is made up of 19 federal offices, run by the National Security Council. This is not a recipe for a winning strategy. And many are saying that our effort to counter terrorism financing is faltering.

I hope that you will be able to provide fresh leadership within the administration for this critical element of the war against terrorism.

Mr. Quarles, this is the second time that you have come before this Committee over the past 4 years, and the third time the Senate will have considered your nomination to an important post. In 2003, the Finance Committee approved your nomination to be the Assistant Secretary for International Affairs at the Treasury Department. And in 2001, the Senate confirmed you to be the Executive Director of the International Monetary Fund.

Prior to serving at the IMF, Mr. Quarles was a partner of one of Wall Street's leading law firms, Davis, Polk and Wardell. There, he advised some of the world's leading financial firms and helped them adapt to an increasingly global financial system.

He understands how the administration and Congress must work together on matters of economic policy.

In short, Mr. Quarles' knowledge and experience in both the public and private sectors will serve him well as he undertakes his new assignment.

In his new position, Mr. Quarles will be responsible for managing the U.S. Treasury's debt. Unfortunately, that is a job that is growing by leaps and bounds. We know that Congress will have to increase the ceiling on the debt yet again this year. I want to find out from Mr. Quarles today how soon we need to act.

Ms. Pack, you are being appointed to a position with significant responsibility. As Assistant Secretary for Management, not only are you charged with overseeing the management of the Treasury Department's vast agencies and departments. You are also a statutory member of the IRS Oversight Board.

As you know, the IRS is of particular interest to this Committee. Frankly, I have many concerns about the agency — concerns about technology, service, and enforcement.

For example, the IRS has spent billions of dollars over the course of several years trying to modernize its 1960s technology. Unfortunately, it has had only limited success in updating its systems.

Another example: After making improvements in taxpayer service, the IRS appears to be reversing its course. It recently announced plans to shut down about 70 Taxpayer Assistance Centers. These centers provide face-to-face service for everyone. They help poor and elderly taxpayers who may not be able to use alternative sources of service like the Internet. We need to make it easier for folks to pay their taxes, not more difficult.

It also concerns me that the IRS is unable to accurately assess its productivity. A GAO report just released yesterday points out that the IRS needs to use more sophisticated techniques to measure results in order to better plan the use of its resources, improve efficiency and identify budget needs.

And, perhaps most disturbing, the tax gap, the difference between what taxpayers should pay and what they do pay, now has grown to an estimated 350 billion dollars a year. Yet, the IRS has conducted only limited studies to find out why the gap has grown and has no concrete plans for regular studies to keep track of the gap in the future.

I am frustrated with the current state of affairs. The IRS needs reliable measures that can be compared to established benchmarks and goals so its progress can be determined in all areas — technology, service, and enforcement.

I want to know what the IRS is going to do. I want to know how it is going to do it. I want to know how long it is going to take. And, today, I want to know what steps you will take to make that happen.

Finally, Mr. Fromer, I look forward to working with you upon your confirmation. I hope that you carry on the good work of your predecessor — John Duncan — reaching out to Congress, and particularly to Members and staff on the Finance Committee. Good Luck..

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